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Approved For Release 2007/10/23 : CIA-RDP83M00171R000100050020-9

DCI/ICS-81-2320

14 May 1981

*21/PAO*

25X1 MEMORANDUM FOR: [REDACTED]  
A-DD/ICS

25X1 VIA: [REDACTED]  
Director, Program Assessment Office *cut*

25X1 FROM: [REDACTED]  
Program Assessment Office

SUBJECT: Next Step for the Inflation Working Group

1. Recent ICS commitments to OMB to follow DoD procedures for DoD elements of the NFIP and to use OMB projections of inflation for NFIP expenditure projections have significantly constrained the latitude of the Inflation Working Group (IWG). Since DoD procedures exempt cost increases that are already under contract, the principal inflation problem of SAFSS is solved. OMB's willingness to accept CIA's argument for the need for additional allowance for overseas inflation for the DDO has resolved our most important concern in that program as well. Developing a procedure for independently establishing the expected rate of inflation for the NFIP may no longer serve its original purpose.

2. Three possible purposes remain for the IWG:

- o to create procedures for estimating the impact of inflation on the budget for the current year as it is being executed in order to strengthen arguments for the need for more NFIP funds in the budget year to fully fund approved program activities,
- o to use current estimates of inflation to support supplemental appropriation requests, or
- o to seek, as before, to establish an NFIP measure of inflation in order to preserve the capability to dispute OMB inflation projections.

Updating inflation projections for the current budget year during its execution was chosen for the first two purposes because it is not inconsistent with accepting OMB's inflation estimates for the President's program (since current year inflation is not a consequence of his program). These purposes are not mutually exclusive, but each of the latter two is a stronger stance in defense of the NFIP budget total than its predecessor. Another possibility is to contact each of the members of the IWG and advise them that because the new administration has adopted a much more protective attitude toward the Intelligence Community, there is no further need for the IWG.

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WARNING NOTICE  
INTELLIGENCE SOURCES  
AND METHODS INVOLVED

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SUBJECT: Next Step for the Inflation Working Group

25X1 3. I suggest that you meet with the ICS members of the IWG [redacted] and me) to discuss these alternatives and come to a decision with respect to the purpose of the IWG. We should also consider what role the IWG members should assume with respect to this decision.

4. This memorandum is CONFIDENTIAL in its entirety.)

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Next Step for the Inflation Working Group

Distribution: DCI/ICS-81-2320

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1 - PGS/

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1 - EA/PAO

1 - PAO/Subject

1 - PAO/Chrono

1 - ICS Registry

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DCI/ICS/PAO/

(14 May 1981)

*Ref. Subject*

DCI/ICS 81-2321  
2 June 1981

MEMORANDUM FOR THE RECORD

25X1 FROM: [redacted]  
Program Assessment Office

25X1 [redacted]  
Chief, Data Support Group

SUBJECT: 28 May 1981 Meeting on Inflation Working Group

25X1 ATTENDEES: [redacted] D/ICS  
D/OCS  
D/PBO  
ICS  
PGS  
s, C/DSG  
PAO

1. The attendees agreed that the Inflation Working Group would continue to function, but would have no current responsibilities.

2. Two topics involving inflation may be issues in program review, but neither requires the attention of the working group. The two topics are:

- o CIA overseas inflation -- a concern because the relative buying power of the dollar has improved in foreign markets rather than declined as CIA projected in its FY 81 budget and,
- o SAFSS cost increases -- an inflation issue to the extent that the cost increases in procurement and R&D are due to unanticipated inflation in the aerospace industry.

3. John directed that AI pick up inflation indices relative to these two problems from OSD, CIA, and DoL as they become available.

[redacted]

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All Portions of this  
memorandum are UNCLASSIFIED.

INTERNAL USE ONLY

*n/B*

SUBJECT: 28 May 1981 Meeting on Inflation Working Group

Distribution: DCI/ICS 81-2321

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25X1 1 C/DSG

25X1 1 [redacted] PAO

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1 PAO/Subject

1 PAO/Chrono

1 ICS Registry

25X1 DCI/ICS/PAO, [redacted]

(1 June 1981)

INTERNAL USE ONLY

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SUBJECT: Prospectus Review, Summary No. 2

(6) Contact STO and PBO to determine what, if any, relationship might exist between the proposed SIGINT interoperability study (see FY 1983-1987 Program Guidance) and what the MGS study proposes to accomplish.

d. Revised prospectus should cover the following points:

(1) Delineate between what [ ] is planning to do himself and what he wants [ ] to do; and

25X1  
25X1

(2) Incorporate the [ ] aspect of the problem into the prospectus.

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e. Pending actions are as follows:

(1) Initiate action to get [ ] under contract as soon as possible;

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(2) Arrange a meeting with [ ] to discuss this study; and

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(3) Revise prospectus to incorporate above information where appropriate. (Suspense: Friday, 19 December).

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3. Inflation:

a. [ ] was asked to include the following items in a revised prospectus:

(1) Indicate that the Community Working Group is under the chairmanship of [ ] and that PAO is providing the RMS staff support for this project; and

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(2) Identify, if possible, the intermediate products that will be produced by the Working Group.

b. Revised prospectus is due by COB on 19 December. (U)

3. The MRP Backup review scheduled for today will be rescheduled for the week of 22-24 December 1980.

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cc: AD/PAO

~~SECRET~~

7 Nov 80

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TOPIC: The Intelligence Community Working Group on Inflation

REASON: An Intelligence Community Working Group on Inflation has been formed and tasked with conducting a critical review of current procedures for estimating inflation and exploring alternative approaches that could improve our ability to protect future NFIP buying power.

OBJECTIVES:

1. To identify aggregate cost categories that accurately summarize NFIP expenditures.
2. To use appropriate forward pricing techniques for indexing these categories to inflation.
3. To establish procedures for the routine exchange of inflation information.

APPROACH:

1. PAO's analysis of the FY82 NFIP inflation rate and the FY82 budget submissions and inflation backups will be used as inputs to the Group.
2. The group will have a staff composed of designees from each of the program offices as well as representatives from PGS, PBO, and PAO. PAO members will be the study directors of the Working Group responsible for the production of timely, accurate and useful documentation.

SCHEDULE: The Working Group has a tentative start date of 15 November and a completion date of 1 June 1981.

STAFFING/ORGANIZATION: 1/2 to 3/4 time from late November to end of May to direct Working Group research efforts.



29 Oct 1980

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